Health Budgets & Financial Policy

TRICARE Management Activity
Resource Management Directorate

MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND

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What is it?

- **Established by Congress (2001 NDAA) to provide *mandatory* funding for a health care entitlement (*Title 10, Subtitle A, Part II, Chapter 56, United States Code*)**
- **Covers certain Medicare-eligible DoD beneficiaries *(military retirees, retiree family members and survivors - not simply "over-65s")***
- **Pays for MTF care, purchased care and pharmacy**
- **Recognizes DoD's accrued and future liability for cost of retiree/survivor health**

Implemented 1 October 2002

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What is "accrual?"

Accrual is an accounting concept that recognizes the cost of a future liability that is earned now, but paid in the future, normally beyond the current accounting period (such as a Fiscal Year in the Federal Government); ***health care is a retirement benefit that accrues with uniformed service.***

The DoD Medicare Eligible Retiree Health Care Board of Actuaries determines funding requirements based on actuarial analyses and assumptions, including population characteristics such as:

Rates of retention to retirement eligibility,

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TFL/TSRx ≠ Accrual Fund

TFL – Age 65 or over, Medicare eligible, enrolled in Part B, not Active Duty

TSRx - Age 65 or over, Medicare eligible, enrolled in Part B (unless age 65 or older as of 1 April 2001), not Active Duty

Accrual Fund – Medicare eligible retirees, retiree family members and survivors *only*, regardless of age or Part B enrollment status

Other key differences include:

The Accrual Fund pays for MTF care; TFL and TSRx do not

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Where will the money come from?

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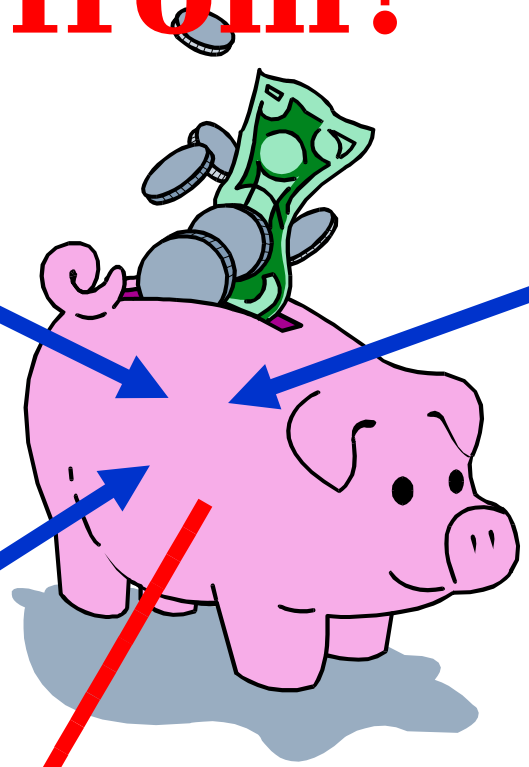
Dept of Treasury unfunded actuarial liability (UAL) - *$477.6B amortized over 50 years (16.6B FY06)*

Annual DoD actuarial "Normal Cost" contribution ($10.8B FY06)



Accrual fund investment earnings

FY06 Estimated Outlays $7.1B

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Normal Cost Contribution

Paid by Treasury on behalf of Service MILPERS accounts

FY06 per capita rate

- **Full time $471 per month ($5,652 annually)**
- **Part time $277 per month ($3,324 annually)**

Multiplied by annual budgeted Service end strength

FY06 actual total DoD contribution - $10.8B

Purchased Care

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TRICARE for Life* - Medicare primary payor, TRICARE supplemental (last) payor *(must be enrolled in Medicare Part B)* plus TRICARE unique benefits (*OCONUS purchased care*)

Managed Care Support (MCS) Contracts* - network at-risk costs *(under 65 Medicare eligibles – must be enrolled in Part B)*

TRICARE Senior Pharmacy* - retail, TMOP costs *(must be enrolled in Part B, unless "grandfathered" – age 65 or older as of 1 April 2001)*

US

Funds flow: Daily transactions against accrual fund for enrollees x capitation rate

Simultaneous Reconciliati

* Includes claims processing and th

Direct (MTF) Care

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Inpatient Care - Relative Weighted Products (RWPs) x MTF-specific rate ***(inflated FY00 Medical Expense and Performance Reporting System (MEPRS) cost/RWP)***

Outpatient Care - Ambulatory Patient Group (APG) weights x M ***(inflated FY00 MEPRS co***

PDTS data captures vendor cost of pharmaceutical procurement

Outpatient Pharmacy -

"Ingredient cost" - ***purchase costs from Pharmacy Data Transaction Service (PDTS)***

Move to itemized billing

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MTF Funds Flow

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Prospective/interim annual payment at beginning of FY (distributed quarterly)

Defense Health Program O&M

Fund > USD(C) > TMA > Services > MTFs

MILPERS

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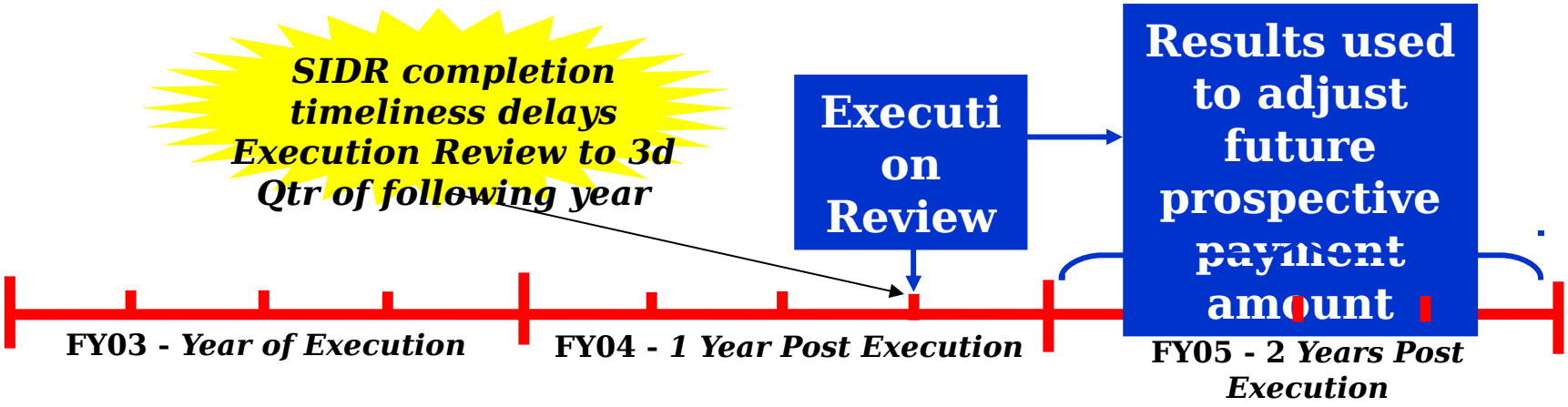
MTF Reconciliation

The plan…


SIDR completion timeliness delays Execution Review to 3d Qtr of following year
Executi on Review
Results used to adjust future prospective payment amount
FY03 - Year of Execution
FY04 - 1 Year Post Execution
FY05 - 2 Years Post Execution

Use results of the Execution Review to adjust prospective payment amounts in the next available budget year under the PPBS cycle; do not transfer money to or from the fund based on execution year under/over execution

Provides stable business

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Management Controls

- **Center for Medicare and Medicaid Services (CMS) Medicare eligibility data merged with Defense Enrollment Eligibility Reporting System (DEERS) (*system change request (SCR) added Medicare eligibility to SIDR/SADR*)**

- **MTF earnings calculations automated based on SIDR/SADR weighted workload reported in MHS Data Repository (MDR); final results subject to Service and TMA review at reconciliation**

- **Automated management reports provide feedback to MTFs on reported workload and**